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SOME PROBLEMS OF THE BALANCE SHEET
OF INCOME AND EXPENDITURES OF THE POPULATION

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Soviet money is a unit of account necessary both for planning and control, and is also a tool of socialist accumulation [increase in capital]. Soviet money is used, too, as one of the most important instruments for stimulating an increase in labor productivity, increasing real wages of workers and office employees and incomes of collective farmers, increasing retail sales, and raising the living standard of the broad masses of the people.

In the USSR both supply and demand are determined by a state plan, rather than by natural forces. Demand is conditioned by the planned volume of monetary income, that is, by the planned payroll for workers and office employees, by the plans for state procurement of agricultural products, by payments of scholarships and pensions, etc. The demand for goods on the part of socialist enterprises and establishments comes from government agency-approved expenditures for production, the planned volume of capital construction, and budget allocations for maintaining the army, cultural establishments, and other establishments.

Likewise, the supply of goods, is determined by the planned volume of production, the consideration as to where the goods are to be sold, and by the policy of fixed prices.

In planning the volume of money in circulation and the volume of sales, the government must plan not only for the national economy as a whole but also for each region, so that there will be a proper balance between money and goods in each region.

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In case of an excess of purchasing power for a more or less long period, the population would experience difficulty in turning its money into goods in state and cooperative trade enterprises and would spend the excess on the kolkhoz market. This would result in an increase in prices there, create conditions for speculation, and have a negative effect on the purchasing power of the Soviet ruble, and, eventually, on the level of real wages. Therefore, the task of keeping the ruble stable and of effectively utilizing Soviet money to raise real wages and stimulate an increase in labor productivity requires that, as monetary income of workers, office employees, and collective farmers increases, there must be a corresponding increase in the volume of consumers' goods produced and in retail sales.

By far the largest part of the total monetary income of the population is covered by the wage bill, which depends on the number of workers and office employees and the size of their average wage. The number of workers and office employees is established on the basis of the planned volume of production, construction, freight, and trade, and on the basis of the plans of cultural and other establishments. The average wage depends on the established norm for payment of labor, on the degree of fulfillment of the norm of output, and on the existing progressive-premium principle for remunerating labor.

Another important part of the population's monetary income is that which collective farmers receive according to labor-days, which depends on the total monetary income of the collective farm as a whole. This income increases from year to year as a result of the increasing production of collective farms and particularly as a result of the development of such high-income branches of agriculture as the raising of industrial crops and livestock.

The monetary income of other groups of the population -- from scholarships and pensions -- depends on the planned number of scholarship students, the number of persons receiving pensions, and the monetary value of each scholarship and pension.

The population's monetary income is used not only for the purchase of goods but also to pay for services (rents, public services, transport, theater tickets, etc.). A certain portion goes for taxes and consequently for national expenditures. Another part is saved and put at the disposal of the state in the form of state loans and savings-bank deposits, and thus assists in accelerating socialist expansion of the economy. Finally, the population retains part of its income in the form of cash.

All this is what has to be considered in planning the volume of income required by the population and the expenditures on consumers' goods which will be made from this income.

When a plan for the production of consumers' goods is worked out, the channels through which they will be sold are also planned. A certain portion of consumers' goods, the "vnerynochnyy fond" (goods not for the market), goes to sanatoriums, schools, government establishments, and the army. The main portion, however, comprising the "rynnochnyy fond" (market goods), is sold through retail trade to the population.

To satisfy the demand of the population for goods, obviously not only must the total volume of goods for sale correspond to the total purchasing power, but the type of goods offered on the market must correspond to the type of goods desired.

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The balance sheet of monetary income and expenditures of the population encompasses almost all cash transactions in the country, since settlements between state and cooperative enterprises and establishments for goods and services are almost completely noncash transactions through banks by transfer from the account of the purchaser to the account of the seller. Monetary settlements between state and cooperative enterprises and establishments, on the one hand, and the population, on the other, are usually cash transactions, as are also monetary settlements between individual citizens for goods and services.

Cash money in the USSR flows mainly in two streams, first, payment by socialist enterprises and establishments to the population, and second, payments by the population to socialist enterprises and establishments for goods and services, and also payments by the population to the state budget in the form of taxes, etc. In addition, a relatively small amount of money is used for the purchase of agricultural goods on the kolkhoz market and for transactions between individual citizens for household goods and services.

The Soviet government plans the major part of the monetary transactions between the population, on the one hand, and socialist enterprises and establishments, on the other. The State Bank of the USSR sees that plans concerned with payments and receipts of money are strictly observed.

Enterprises and establishments must see that they receive the amount of cash called for by the plan for retail sales and the planned amount for taxes, and also that the amount of cash they spend is within the limits set by plans.

Socialist enterprises and establishments must transfer monetary receipts, with the exception of a small amount to be used locally for immediate needs, to the State Bank, where they are added to settlement (raschetnyye) or current (tekushchiye) accounts. Money for wages or other payments to the population is obtained in the main only from the State Bank.

The government [Council of Ministers] approves quarterly the cash-transactions plans of the State Bank. These plans determine both the volume of cash received by the State Bank from different sources and the amount paid out for different purposes.

The ability of the State Bank to satisfy the requirements of enterprises and establishments for cash is very closely dependent on the execution of the plan for the Bank's cash receipts. If the income part of the cash transactions plan is not fulfilled, the Bank will experience difficulty in paying out money on time to enterprises and establishments for wages, etc. To avoid such difficulties the State Bank must energetically strive to fulfill the established plan for monetary receipts. This means that it must constantly be on the alert to see that the plan for retail sales is being carried out, that the proceeds of public service enterprises, transport organizations, etc., are received, and that taxes and other revenue for the state budget are collected. When deviations from the plan of receipts are discovered and there is a danger that the plan will not be fulfilled, the State Bank takes measures to remedy the situation.

The State Bank pays out money to enterprises and establishments only in the amounts and for the purposes provided for by the plan and sees that money received by enterprises and establishments from the State Bank is used only for the purposes for which it was intended. The State Bank pays out money for wages to industrial enterprises only in proportion to the amount of the production program which they have completed and to institutions and government agencies in strict accordance with authorized tables of organization and payrolls.

The main economic basis for making up the cash-transactions plan of the State Bank is the balance sheet of monetary income and expenditures of the population. Inasmuch as this balance sheet shows practically all cash transactions in the country, it also supplies material to determine the amount of money required for circulation.

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The cash-transactions plan of the State Bank differs from the balance sheet of monetary income and expenditures of the population as follows: The former does not include monetary transactions on the kolkhoz market, with some craftsmen not in cooperatives, etc. Cash disbursements of the State Bank correspond on the whole to the monetary income of the population received from socialist enterprises and establishments. Likewise, cash receipts of the State Bank similarly correspond to monetary expenditures of the population made in socialist enterprises and establishments. It follows that not all monetary income and expenditures of the population appear in the cash-transactions plan of the State Bank. Furthermore, some settlements of enterprises and establishments with the population are effected by noncash transfer (for example, payment of taxes by withholding sums from wages); and a number of trade organizations and certain other institutions pay out certain amounts to the population in the form of wages and other income from the organizations' monetary receipts without going to the State Bank for money for these purposes. The cash-transactions plans of the State Bank include, in both disbursements and receipts, certain sums of money paid in cash by one enterprise to another, but the volume of such transactions is insignificant in the State Bank's volume of cash transactions.

The cash-transactions plan of the State Bank is important in working out the balance sheet of monetary income and expenditures of the population and for checking on the execution of that balance sheet.

Data on the execution of the cash-transactions plan, that is, on the actual cash transactions of the State Bank, is necessary to calculate individual items of income and expenditure of the population.

In carrying out the cash-transactions plan, the State Bank checks on the execution of the planned balance sheet of monetary income and expenditures of the population, inasmuch as deviation from the cash-transactions plan indicates deviation from the established balance sheet of monetary income and expenditures of the population. This all goes to show the importance of both the balance sheet of monetary income and expenditures of the population and of the Gosplan cash-transactions plan for planning monetary circulation in the USSR.

Monetary income and expenditures of the USSR population, as has already been stated, are divided into two groups:

1. Monetary receipts from socialist enterprises and establishments and monetary expenditures in these enterprises and establishments.
2. Monetary receipts from the sale of goods and services to the population (individual citizens) and monetary expenditures for purchase of goods and services from the population (individual citizens).

The population's monetary income received from socialist enterprises and establishments is composed of wages of workers and office employees, earnings of artisans in cooperatives (which are planned and counted in the total national income), the monetary income received by collective farmers from the collective farms, the income of collective farmers and independent peasants from the sale of agricultural products to the state and to cooperative organizations, scholarships and pensions paid to students and pensioners, and several other items.

Expenditures of the population in socialist enterprises and establishments consist of: (1) purchases of goods in state and cooperative trade enterprises and from collective farmers, and also of expenditures on food and drink in restaurants; (2) payment for services (rent, expenditures on transportation, etc.); and (3) compulsory and voluntary payments to the state and to cooperative and social organizations (taxes, insurance premiums, membership fees, etc.).

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In the second group of monetary income, the main place is occupied by income from the sale of agricultural products on the kolkhoz market. Remuneration for services rendered to individual citizens also belongs to this second group.

The division of the monetary income and expenditures of the population into these two groups is a consequence of the existence of two forms of socialist ownership, and of small private farms and businesses based on the personal labor of independent peasants and home craftsmen. It is obvious that the monetary income received by the population from government enterprises and establishments, and also from cooperative enterprises and the socialized economy of the collective farms belongs to the first group. The monetary income of the collective farmers from the sale of agricultural products received from the collective farm according to labor-days and from their personal farmsteads and the monetary income of independent peasants and artisans is divided into two parts. The proceeds from production sold to the state and to cooperative organizations belong to the first group of the population's monetary income, while the proceeds from production sold on the market in individual citizens belong to the second group.

The USSR population receives most of its income from socialist enterprises and establishments, and makes most of its expenditures there.

The division of the monetary income and expenditures of the USSR population into these two groups is for the purpose of facilitating the analysis of the movement of money in the country. The first group is directly regulated by the state national economic plan, while the second group is indirectly regulated. Hence, planning for the first group is different from planning for the second.

The total amount of money the population will spend for the purchase of goods in state and cooperative trade depends, in the last analysis, on the volume of monetary income of the population received in socialist enterprises and establishments. If you consider the population as a whole, the partial utilization of monetary income for the purchase of goods on the kolkhoz market does not result in decreased demand for goods in state and cooperative trade (since collective farmers buy goods there with the proceeds received from kolkhoz market trade), but only in the transfer of the money from one group of the population to another. A certain portion of the money spent in the kolkhoz market is used up in the servicing of this (kolkhoz) trade, but this portion is negligible.

In spite of its small share in the total picture, income from kolkhoz trade and other receipts from individual citizens must be calculated, so as to make it possible to work out a breakdown of the balance sheet of monetary income and expenditures according to individual groups of the population. Income from kolkhoz trade makes up a substantial portion of the monetary income of collective farmers, and expenditures on the kolkhoz market occupy a conspicuous place in the monetary budget of workers and office employees.

Furthermore, the statement that monetary income and expenditures connected with kolkhoz trade do not affect the total volume of money spent for the purchase of goods in state and cooperative trade is essentially true for the country as a whole, but not for individual sections of it. The populations of certain individual republics and oblasts frequently sell their products on the kolkhoz markets in other republics or oblasts, and then use the money they have received for the purchase of goods in state or cooperative stores in their own regions.

The balance sheet of monetary income and expenditures of the population is not used only to calculate the total purchasing power of the population. It must also, within certain limits, help show the structure of demand, that is, to what groups of goods this demand will be primarily directed. The urban population spends its monetary income on both industrial and agricultural products. The agricultural population, on the other hand, receives most of the agricultural food products it needs without using its monetary income, and hence spends most of its monetary income on industrial goods.

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In current practice, the balance sheet of the monetary income and expenditures of the population breaks down the monetary income of the population into two groups, the monetary income of the nonagricultural population and that of the agricultural population.

The nonagricultural population includes not only the urban population but also that part of the rural population whose income comes from work other than agricultural, that is, persons residing in rural areas who are employed in industrial transport, and construction enterprises, country doctors, teachers, and employees of central-government offices in rural locations.

The agricultural population includes collective farmers, independent peasants, and also persons employed in machine-tractor stations, state farms, agricultural experiment stations, and in forestry.

This grouping is based on important differences in the structure of the income and expenditures of these groups of the population.

The nonagricultural population receives most of its income from wages and salaries. Some comes from pensions, scholarships, benefit allotments, travel, etc. Workers and office employees also get an insignificant income in kind from their own gardens and livestock.

The agricultural population receives most of its monetary income in the form of: payments to collective farmers according to labor days; income of collective farmers from the sale of agricultural products to the state, to cooperative organizations, and on the kolkhoz market; and wages of employees of state farms, machine-tractor stations, agricultural experiment stations, and forestry.

For proper planning of retail trade, taxes, distribution of loans, and the increment in savings bank deposits, the balance sheet of monetary income and expenditures of the population must contain a breakdown by union and autonomous republics, krais, and oblasts. Planning in local offices can be greatly assisted by balance sheets of monetary income and expenditures of the population for the most important cities and administrative areas.

It has become particularly necessary to have a regional breakdown of the balance sheet of monetary income and expenditures of the population since the introduction of the monetary reform and the abolition of rationing. The distribution of monetary income in the country is important for proper planning of retail trade in individual republics, krais, and oblasts. There must be a balance between income of the population and retail sales not only in the country as a whole, but in individual areas, so as to assure the stability of the Soviet ruble and strengthen it still further. If the allocation of goods throughout the country is defective and not in accord with the purchasing power of the population of the individual krais and oblasts, there will be shortages of goods in some places simultaneously with excesses of goods in others.

Making a regional breakdown of the balance sheet of income and expenditures of the population is rather complicated. Thus, for the country as a whole, expenditures on the purchase of agricultural products in the kolkhoz market equal the income of another part of the population from kolkhoz trade. However, this is not usually true within an individual republic, krai, or oblast.

In making a regional breakdown of the balance sheet of the monetary income and expenditures of the population, it is important to take the migration of money into consideration. Part of the income received by the population in one section of the country is used for the purchase of goods in other sections. Thus, temporary and seasonal workers carry part of their wages back with them when they return to their permanent homes or send part of the money through the mail to their families. Large amounts of money leave industrial areas and areas where there is

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new construction. Collective farmers who come from other areas to sell their products on the kolkhoz market take out money when they leave. There is usually money from other areas spent in capitals and large cities because of the wider selection of goods there. Resorts are also recipients of a large amount of money from outside areas. The transfer of money from one section of the country to another may also be caused by incorrect planning of the distribution of retail trade. Adequate determination of the amount of money which migrates from one region to another requires large-scale statistical observation and special calculations.

To obtain a more accurate balance sheet of the monetary income and expenditures of the population, certain statistical materials used in making it up must be made more accurate. In particular, there must be better accounting of the income of workers and office employees, received in enterprises and establishments, over and above their regular salaries (premiums, monetary assistance for trips to sanatoriums, payment for various services which appear in accounts as administrative expenses of enterprises and establishments, etc.). An effort should also be exerted to make the calculation of the income of collective farmers from the sale of their production on the kolkhoz market more accurate. When making up a balance sheet of income and expenditures of the population which gives a regional breakdown, it is important to show volume of kolkhoz market sales by republic, kray, and oblast. Data on wages and retail trade should also be made more accurate.

Statistical offices must also do a better job of working up the report materials used in making up the balance sheet of the monetary income and expenditures of the population.

Until recently, when using the balance sheet of income and expenditures of the population for planning retail trade, the main thing considered was the total purchasing power of the population. The structure of demand did not receive much attention. However, the balance sheet of monetary income and expenditures of the population can also be of considerable assistance in determining the required structure of trade.

Trade in the year and a half since the monetary reform has shown conclusively that the population has had very high demands in the realm of goods assortment, with the strengthening of Soviet currency and the steady rise in the purchasing power of the ruble. Study of the structure of demand and correct determination of the purchasing power of the population are of the utmost importance at present.

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